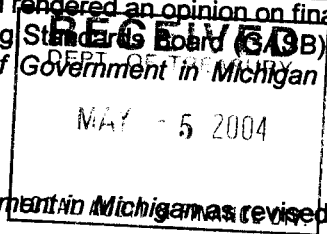


AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Breckenridge	County Gratiot
Audit Date February 29, 2004	Opinion Date April 8, 2004	Date Accountant Report Submitted to State: April 8, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

RECEIVED
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

✓ MAY - 5 2004

Year Ended February 29, 2004

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

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VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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April 8, 2004

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Breckenridge
Gratiot County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Breckenridge, Gratiot County, Michigan, as of February 29, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Breckenridge's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Breckenridge, Gratiot County, Michigan, as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2004, on our consideration of the Village of Breckenridge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Breckenridge, Gratiot County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
February 29, 2004

EXHIBIT A
Page 1

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
<u>Assets</u>			
Cash in bank	210 706 21	464 725 69	153 003 80
Petty cash	200 00	200 00	-
Taxes receivable	15 806 12	-	-
Accounts receivable	1 659 66	-	29 347 52
Due from State of Michigan	-	19 251 67	-
Due from other funds	-	1 532 32	11 495 08
Restricted cash in bank	-	-	326 814 43
Special assessments receivable	-	-	18 600 00
Land	-	-	25 400 00
Plant, property and equipment	-	-	2 706 386 70
Accumulated depreciation	-	-	(1 348 351 83)
Buildings and improvements	-	-	-
Machinery and equipment	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total Assets	<u>228 371 99</u>	<u>485 709 68</u>	<u>1 922 695 70</u>

The accompanying notes are an integral part of these financial statements.

Account Groups		Total
<u>General</u> <u>Fixed Assets</u>	<u>General Long-</u> <u>Term Debt</u>	<u>(Memorandum</u> <u>Only)</u>
-	-	828 435 70
-	-	400 00
-	-	15 806 12
-	-	31 007 18
-	-	19 251 67
-	-	13 027 40
-	-	326 814 43
70 603 00	-	18 600 00
-	-	96 003 00
-	-	2 706 386 70
714 300 35	-	(1 348 351 83)
893 631 16	-	714 300 35
		893 631 16
<u>-</u>	<u>35 178 41</u>	<u>35 178 41</u>
<u>1 678 534 51</u>	<u>35 178 41</u>	<u>4 350 490 29</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
February 29, 2004

EXHIBIT A
Page 2

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	11 001 42	1 684 37	835 03
Customer deposits	-	-	12 300 00
Due to other funds	-	1 532 32	11 495 08
Compensated absences	15 617 62	-	-
Contract payable – office	-	-	-
Bonds payable	-	-	-
Total liabilities	<u>26 619 04</u>	<u>3 216 69</u>	<u>640 000 00</u> <u>664 630 11</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Contributed capital	-	-	259 528 53
Retained earnings:			
Reserved	-	-	49 432 28
Unreserved – designated	-	-	277 382 15
Unreserved – undesignated	-	-	671 722 63
Fund balances:			
Reserved	-	115 849 61	-
Unreserved:			
Undesignated	<u>201 752 95</u>	<u>366 643 38</u>	-
Total fund equity	<u>201 752 95</u>	<u>482 492 99</u>	<u>1 258 065 59</u>
Total Liabilities and Fund Equity	<u>228 371 99</u>	<u>485 709 68</u>	<u>1 922 695 70</u>

The accompanying notes are an integral part of these financial statements.

Account Groups		Total
General Fixed Assets	General Long- Term Debt	(Memorandum Only)
-	-	13 520 82
-	-	12 300 00
-	-	13 027 40
-	15 617 63	31 235 25
-	19 560 78	19 560 78
-	-	640 000 00
-	35 178 41	729 644 25
1 678 534 51	-	1 678 534 51
-	-	259 528 53
-	-	49 432 28
-	-	277 382 15
-	-	671 722 63
-	-	115 849 61
-	-	568 396 33
1 678 534 51	-	3 620 846 04
1 678 534 51	35 178 41	4 350 490 29

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended February 29, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	297 902 88	-	297 902 88
Licenses and permits	846 00	-	846 00
State revenue sharing	168 889 42	109 726 49	278 615 91
Charges for services	86 428 50	27 832 53	114 261 03
Fines and forfeits	854 29	60 361 43	61 215 72
Interest	2 455 84	6 816 38	9 272 22
Donations	5 685 00	1 880 00	7 565 00
Miscellaneous	55 685 11	-	55 685 11
Total revenues	<u>618 747 04</u>	<u>206 616 83</u>	<u>825 363 87</u>
Expenditures:			
Legislative:			
Village Council	35 088 78	-	35 088 78
General government:			
Village Manager	53 507 91	-	53 507 91
Financial administration	97 257 43	-	97 257 43
Village hall and grounds	42 143 89	-	42 143 89
Cemetery	-	32 021 85	32 021 85
Public safety:			
Police protection	193 040 80	-	193 040 80
Fire protection	14 900 00	-	14 900 00
Planning and zoning	3 586 89	-	3 586 89
Public works:			
Department of Public Works	79 749 48	-	79 749 48
Highways and streets	-	72 658 62	72 658 62
Sanitation	43 166 10	-	43 166 10
Culture and recreation:			
Recreation	7 143 03	-	7 143 03
Library	-	102 011 25	102 011 25
Capital outlay	41 862 00	-	41 862 00
Debt service	10 656 70	-	10 656 70
Total expenditures	<u>622 103 01</u>	<u>206 691 72</u>	<u>828 794 73</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended February 29, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Excess (deficiency) of revenues over expenditures	<u>(3 355 97)</u>	<u>(74 89)</u>	<u>(3 430 86)</u>
Other financing sources (uses) :			
Operating transfers in	-	18 706 14	18 706 14
Operating transfers out	-	<u>(18 706 14)</u>	<u>(18 706 14)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(3 355 97)</u>	<u>(74 89)</u>	<u>(3 430 86)</u>
Fund balances, March 1	<u>205 108 92</u>	<u>482 567 88</u>	<u>687 676 80</u>
Fund Balances, February 29	<u>201 752 95</u>	<u>482 492 99</u>	<u>684 245 94</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended February 29, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	315 000 00	297 902 88	(17 097 12)
Licenses and permits	6 500 00	846 00	(5 654 00)
State revenue sharing	177 400 00	168 889 42	(8 510 58)
Charges for services	57 100 00	86 428 50	29 328 50
Fines and forfeits	1 100 00	854 29	(245 71)
Interest	5 000 00	2 455 84	(2 544 16)
Donations	6 000 00	5 685 00	(315 00)
Miscellaneous	64 700 00	55 685 11	(9 014 89)
Total revenues	<u>632 800 00</u>	<u>618 747 04</u>	<u>(14 052 96)</u>
Expenditures:			
Legislative:			
Village Council	36 300 00	35 088 78	(1 211 22)
General government:			
Village Manager	54 400 00	53 507 91	(892 09)
Financial administration	104 400 00	97 257 43	(7 142 57)
Village hall and grounds	62 100 00	42 143 89	(19 956 11)
Cemetery	-	-	-
Public safety:			
Police protection	199 700 00	193 040 80	(6 659 20)
Fire protection	14 700 00	14 900 00	200 00
Planning and zoning	4 100 00	3 586 89	(513 11)
Public works:			
Department of Public Works	91 900 00	79 749 48	(12 150 52)
Highways and streets	-	-	-
Sanitation	45 100 00	43 166 10	(1 933 90)
Culture and recreation:			
Recreation	7 400 00	7 143 03	(256 97)
Library	-	-	-
Capital outlay	45 000 00	41 862 00	(3 138 00)
Debt service	10 700 00	10 656 70	(43 30)

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
103 160 00	109 726 49	6 566 49
37 000 00	27 832 53	(9 167 47)
60 800 00	60 361 43	(438 57)
13 300 00	6 816 38	(6 483 62)
15 824 00	1 880 00	(13 944 00)
-	-	-
<u>230 084 00</u>	<u>206 616 83</u>	<u>(23 467 17)</u>
-	-	-
-	-	-
-	-	-
-	-	-
43 200 00	32 021 85	(11 178 15)
-	-	-
-	-	-
-	-	-
-	-	-
104 160 00	72 658 62	(31 501 38)
-	-	-
-	-	-
134 350 00	102 011 25	(32 338 75)
-	-	-
-	-	-

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended February 29, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>675 800 00</u>	<u>622 103 01</u>	<u>(53 696 99)</u>
Excess (deficiency) of revenues over expenditures	<u>(43 000 00)</u>	<u>(3 355 97)</u>	<u>39 644 03</u>
Other financing sources (uses) :			
Operating transfers in	25 000 00	-	(25 000 00)
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>25 000 00</u>	<u>-</u>	<u>(25 000 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(18 000 00)	(3 355 97)	14 644 03
Fund balances, March 1	<u>239 105 00</u>	<u>205 108 92</u>	<u>(33 996 08)</u>
Fund Balances, February 29	<u>221 105 00</u>	<u>201 752 95</u>	<u>(19 352 05)</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>281 710 00</u>	<u>206 691 72</u>	<u>(75 018 28)</u>
<u>(51 626 00)</u>	<u>(74 89)</u>	<u>51 551 11</u>
18 000 00	18 706 14	706 14
<u>(18 000 00)</u>	<u>(18 706 14)</u>	<u>(706 14)</u>
<u>-</u>	<u>-</u>	<u>-</u>
(51 626 00)	(74 89)	51 551 11
<u>394 988 00</u>	<u>482 567 88</u>	<u>87 579 88</u>
<u>343 362 00</u>	<u>482 492 99</u>	<u>139 130 99</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES

EXHIBIT D

Year Ended February 29, 2004

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Charges for services	
Miscellaneous	275 212 16
Total operating revenues	<u>14 561 47</u>
	<u>289 773 63</u>
Operating expenses:	
Wages	50 049 49
Fringe benefits	24 980 52
Administration	20 000 00
Supplies	17 648 64
Postage	2 357 94
Contracted services	24 499 08
Insurance	3 803 60
Telephone	2 598 83
Transportation	777 98
Repairs and maintenance	28 264 70
Utilities	21 639 26
Miscellaneous	884 50
Total operating expenses before depreciation	<u>197 504 54</u>
Operating income before depreciation	92 269 09
Less : depreciation	<u>(57 189 36)</u>
Operating income	<u>35 079 73</u>
Other income and (expense):	
Interest income	8 538 12
Interest expense	<u>(28 127 50)</u>
Net other income and (expense)	<u>(19 589 38)</u>
Net income	15 490 35
Amortization of contributed capital	<u>18 530 00</u>
Net increase in retained earnings	34 020 35
Retained earnings, March 1	<u>964 516 71</u>
Retained Earnings, February 29	<u>998 537 06</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINED STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUND TYPES
Year Ended February 29, 2004

EXHIBIT E

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows form operating activities:	
Cash received from customers	270 734 22
Cash payments to suppliers for goods and services	(150 174 33)
Cash payments to employees for services	(50 049 49)
Other operating revenues	14 561 47
Net cash provided (used) for operating activities	<u>85 071 87</u>
Cash flows from noncapital financing activities:	
Net borrowings (repayments) with other funds	-
Net cash provided (used) for noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Principal payments on special assessments receivable	15 600 00
Principal paid on bond maturities	(50 000 00)
Interest paid on bonds	(28 127 50)
Net cash provided (used) for capital and related financing activities	<u>(62 527 50)</u>
Cash flows from investing activities:	
Interest income	8 538 12
Net cash provided (used) for investing activities	<u>8 538 12</u>
Net increase (decrease) in cash and cash equivalents	31 082 49
Cash and cash equivalents, March 1	<u>448 735 74</u>
Cash and Cash Equivalents, February 29	<u>479 818 23</u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income	35 079 73
Depreciation	57 189 36
Increase (decrease) in assets and liabilities:	
Accounts receivable	(4 477 94)
Accounts payable	(2 719 28)
Net Cash Provided (Used) for Operating Activities	<u>85 071 87</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Breckenridge, Gratiot County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Village contain all the Village funds and account groups that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Breckenridge. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt of the local unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund types. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 before they are added to the county tax rolls. The Village 2003 tax roll millage rate was 17.7338 mills, and the taxable value was \$17,752,158.00.

Fixed Assets and Depreciation

Fixed assets in the Enterprise Funds are depreciated using the straight-line method over the estimated useful lives of the assets. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expense as incurred.

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation benefits attributable to the Village's governmental funds is recorded as an expenditure and liability in the respective funds. The long-term portion is recorded in the general long-term debt account group. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. Employees may accumulate a limited number of days of vacation leave and are paid for unused vacation leave upon termination of employment. Employees receive sick leave but it does not vest and it is not paid upon termination of employment.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Village provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 2 – Deposits and Investments (continued)

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 155 250 13</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	

	<u>Bank Balances</u>
Insured (FDIC)	171 407 14
Uninsured and Uncollateralized	<u>1 000 891 38</u>
Total Deposits	<u>1 172 298 52</u>

The Village of Breckenridge did not have any investments as of February 29, 2004.

Note 3 – Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 3/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/29/04</u>
Land	70 603 00	-	-	70 603 00
Buildings and improvements	715 881 58	-	1 581 23	714 300 35
Machinery and equipment	<u>890 999 54</u>	<u>41 862 00</u>	<u>39 230 38</u>	<u>893 631 16</u>
Totals	<u>1 677 484 12</u>	<u>41 862 00</u>	<u>40 811 61</u>	<u>1 678 534 51</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 3 – Fixed Assets (continued)

A summary of proprietary fund types plant, property and equipment follows:

	<u>Enterprise</u>	
	<u>Sewer</u>	<u>Water</u>
Plant, property & equipment	1 510 325 28	1 221 461 42
Less accumulated depreciation	<u>(853 386 57)</u>	<u>(494 965 26)</u>
Net	<u>656 938 71</u>	<u>726 496 16</u>

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Local Street	1 532 32	Major Street	1 532 32
Sewer	<u>11 495 08</u>	Water	<u>11 495 08</u>
Total	<u>13 027 40</u>	Total	<u>13 027 40</u>

Note 5 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 3/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 2/29/04</u>
Compensated absences	17 484 54	-	1 866 91	15 617 63
Contract payable – drain	150 00	-	150 00	-
Contract payable – office	<u>28 528 69</u>	<u>-</u>	<u>8 967 91</u>	<u>19 560 78</u>
Totals	<u>46 163 23</u>	<u>-</u>	<u>10 984 82</u>	<u>35 178 41</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 6 – Contract Payable – Office

On October 13, 2000, the Village obtained a loan from Chemical Bank & Trust Co. in the amount of \$45,000.00 to partially fund the purchase of a new Village office building. The contract payable requires five annual payments in the amount of \$10,656.70 including interest at the rate of 5.91% per annum. As of February 29, 2004, the principal balance outstanding on the contract payable was \$19,560.78 and it is recorded in the General Long-Term Debt Account Group.

Note 7 – Water Supply System Revenue Bonds

On January 11, 1983, the Village had issued Water Supply System Revenue Bonds in the amount of \$560,000.00 for the purpose of paying part of the cost of constructing additions and improvements to the water supply system of the Village of Breckenridge. The bonds bear interest at the rate of 5.0%, per annum, payable semi-annually on March 1 and September 1 of each year. Bonds outstanding as of February 29, 2004, were \$350,000.00 and they are recorded in the Water Fund as follows:

<u>Due September 1</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2004	5%	15 000 00
2005	"	15 000 00
2006	"	15 000 00
2007	"	15 000 00
2008	"	15 000 00
2009	"	15 000 00
2010	"	20 000 00
2011	"	20 000 00
2012	"	20 000 00
2013	"	20 000 00
2014	"	20 000 00
2015	"	20 000 00
2016	"	20 000 00
2017	"	20 000 00
2018	"	20 000 00
2019	"	20 000 00
2020	"	20 000 00
2021	"	20 000 00
2022	"	20 000 00
		<u>20 000 00</u>
Total		<u>350 000 00</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 8 – Water Supply System Revenue Bonds - Series 1998

On September 29, 1998, the Village issued \$291,221.00 in water supply system revenue bonds to fund improvements to the water system. The bonds were purchased by the Michigan Municipal Bond Authority. The principal is payable over a twenty year period with interest at the rate of 2.50% per annum. As of February 29, 2004, the outstanding principal balance was \$230,000.00 and it is recorded in the Water Fund.

<u>Due October 1</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2004	2.50%	15 000 00
2005	"	15 000 00
2006	"	15 000 00
2007	"	15 000 00
2008	"	15 000 00
2009	"	15 000 00
2010	"	15 000 00
2011	"	15 000 00
2012	"	15 000 00
2013	"	15 000 00
2014	"	15 000 00
2015	"	15 000 00
2016	"	15 000 00
2017	"	15 000 00
2018	"	20 000 00
Total		<u>230 000 00</u>

Note 9 – 1996 General Obligation Bonds

On June 1, 1996, the Village issued General Obligation Bonds in the amount of \$110,000.00 for the purpose of extending water and sewer lines in the Village. The bonds bear interest at rates that vary from 3.9% to 5.05% per annum payable semi-annually on May 1 and November 1 of each year. Bonds outstanding as of February 29, 2004, are recorded in the Sewer Fund, with the Water Fund responsible for funding payment of 20% of the debt, and are as follows:

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 9 – 1996 General Obligation Bonds (continued)

<u>Due November 1</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2004	5.00%	15 000 00
2005	5.05	<u>15 000 00</u>
Total		<u><u>30 000 00</u></u>

Note 10 – 1996 Special Assessment Bonds

On June 1, 1996, the Village issued Special Assessment Bonds in the amount of \$120,000.00 for the purpose of extending water and sewer lines in the Village. The bonds bear interest at rates that vary from 3.90% to 5.05%, per annum, payable semi-annually on May 1 and November 1 of each year. Bonds outstanding as of February 29, 2004, are recorded in the Sewer Fund and are as follows:

<u>Due November 1</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2004	5.00%	15 000 00
2005	5.05	<u>15 000 00</u>
Total		<u><u>30 000 00</u></u>

Note 11 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 12 – Pension Plan

A. Plan Description

The Village has a defined benefit pension plan covering substantially all full-time employees. The plan is operated by the State of Michigan Municipal Employees Retirement System (MERS), which is a cost-sharing multiple-employer retirement system.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 12 – Pension Plan (continued)

A. Plan Description (continued)

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Benefits vest after 10 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 with 10 or more years of credited service
2. Age 55 with 15 or more years of credited service
3. Age 50 with 25 or more years of credited service

The Village's current year covered payroll and its total current year payroll for all employees amounted to \$298,118.95 and \$394,421.26 respectively.

B. Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Total contributions made during the fiscal year ended February 29, 2004, amounted to \$36,519.57.

C. Pension Benefit Obligation

The "pension benefit obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, also known as the actuarial present value of credited projected benefits (APVCPB), is intended to (i) help users assess the plan's funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due, and (iii) allow for comparisons among public employee retirement plans. The APVCPB is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefits obligation was determined as part of an actuarial valuation of the plan as of December 31, 2002. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 12 – Pension Plan (continued)

C. Pension Benefit Obligation (continued)

4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2.

At December 31, 2002, for the Village of Breckenridge, the unfunded actuarial accrued liability was \$222,430 determined as follows:

Retirees and beneficiaries currently receiving benefits	234 387
Terminated employees not yet receiving benefits	16 311
Current employees – Accumulated employee contributions including allocated investment income	143 044
Current employees – Employer Financed	<u>977 521</u>
Total Actuarial Accrued Liability	1 371 263
Net Assets Available for Benefits, at Actuarial Value (Market Value is \$912,892)	<u>1 148 833</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u><u>222 430</u></u>

For the fiscal year beginning March 1, 2004, the annual required contribution is \$31,956 with the amortization factor used of .053632.

Note 13 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 14 – Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 29, 2004, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	101 689 99	188 083 64
Depreciation expense	31 736 24	25 453 12
Operating income	11 165 98	23 913 75
Net income	11 680 50	3 809 85
Contributed capital	236 516 00	23 012 53
Property, plant and equipment: Additions	-	-
Net working capital	72 580 14	48 636 15
Bonds and contracts payable	60 000 00	580 000 00
Total equity	833 952 61	424 112 98

Note 15 – Transfers In and Transfers Out

For the fiscal year ended, February 29, 2004, the Village made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Street	<u>18 706 14</u>	Major Street	<u>18 706 14</u>
Total	<u><u>18 706 14</u></u>		<u><u>18 706 14</u></u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2004

Note 16 – Reserved Fund Balances

As of February 29, 2004, the Cemetery Fund had \$115,849.61 in reserved fund balance which is reserved for creating future revenue. As of February 29, 2004, the Sewer Fund had \$14,249.01 in reserved retained earnings which is reserved for debt service. As of February 29, 2004, the Water Fund had \$35,183.27 in reserved retained earnings which is reserved for debt service.

Note 17 – Budget Variances

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budget of the Village for the General Fund was adopted on an activity level, and amended periodically by the Village Council. During the year ended February 29, 2004, the incurred expenditures in certain activities which were in excess of the amounts appropriated.

<u>Fund/Activity</u>	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Fire protection	14 700 00	14 900 00	200 00

Note 18 – Building Permits

The Village of Breckenridge does not issue building permits. They are handled by Gratiot County.

Note 19 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
February 29, 2004

EXHIBIT F

	<u>M.V.H. Major Street</u>	<u>M.V.H. Local Street</u>	<u>Library</u>
<u>Assets</u>			
Cash in bank	135 452 16	64 703 71	133 196 27
Petty cash	-	-	-
Due from State of Michigan	13 948 88	5 302 79	200 00
Due from other funds	-	1 532 32	-
Total Assets	<u>149 401 04</u>	<u>71 538 82</u>	<u>133 396 27</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	93 99	93 99	1 402 41
Due to other funds	1 532 32	-	-
Total liabilities	<u>1 626 31</u>	<u>93 99</u>	<u>1 402 41</u>
Fund balances:			
Reserved	-	-	-
Unreserved:			
Undesignated	147 774 73	71 444 83	131 993 86
Total fund balances	<u>147 774 73</u>	<u>71 444 83</u>	<u>131 993 86</u>
Total Liabilities and Fund Balances	<u>149 401 04</u>	<u>71 538 82</u>	<u>133 396 27</u>

<u>Cemetery</u>	<u>Total</u>
131 373 55	464 725 69
-	200 00
-	19 251 67
-	<u>1 532 32</u>
<u>131 373 55</u>	<u>485 709 68</u>

93 98	1 684 37
-	<u>1 532 32</u>
<u>93 98</u>	<u>3 216 69</u>

115 849 61	115 849 61
<u>15 429 96</u>	<u>366 643 38</u>
<u>131 279 57</u>	<u>482 492 99</u>
<u>131 373 55</u>	<u>485 709 68</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS EXHIBIT G
Year Ended February 29, 2004

	<u>M.V.H. Major Street</u>	<u>M.V.H. Local Street</u>	<u>Library</u>
Revenues:			
State revenue sharing	77 687 94	28 462 41	3 576 14
Charges for services:			
Cemetery	-	-	-
Library	-	-	5 458 95
Fines and forfeits	-	-	60 361 43
Interest	678 94	308 42	3 749 11
Donations	-	-	1 880 00
	<u>78 366 88</u>	<u>28 770 83</u>	<u>75 025 63</u>
Total revenues			
Expenditures:			
General government:			
Cemetery	-	-	-
Public works:			
Highways and streets	40 148 84	32 509 78	-
Culture and recreation:			
Library	-	-	102 011 25
	<u>40 148 84</u>	<u>32 509 78</u>	<u>102 011 25</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>38 218 04</u>	<u>(3 738 95)</u>	<u>(26 985 62)</u>
Other financing sources (uses):			
Operating transfers in	-	18 706 14	-
Operating transfers out	(18 706 14)	-	-
Total other financing sources (uses)	<u>(18 706 14)</u>	<u>18 706 14</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	19 511 90	14 967 19	(26 985 62)
Fund balances, March 1	<u>128 262 83</u>	<u>56 477 64</u>	<u>158 979 48</u>
Fund Balances, February 29	<u>147 774 73</u>	<u>71 444 83</u>	<u>131 993 86</u>

<u>Cemetery</u>	<u>Total</u>
-	109 726 49
22 373 58	22 373 58
-	5 458 95
-	60 361 43
2 079 91	6 816 38
-	<u>1 880 00</u>
<u>24 453 49</u>	<u>206 616 83</u>
32 021 85	32 021 85
-	72 658 62
-	<u>102 011 25</u>
<u>32 021 85</u>	<u>206 691 72</u>
<u>(7 568 36)</u>	<u>(74 89)</u>
-	18 706 14
-	<u>(18 706 14)</u>
-	<u>-</u>
(7 568 36)	(74 89)
<u>138 847 93</u>	<u>482 567 88</u>
<u>131 279 57</u>	<u>482 492 99</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

MOTOR VEHICLE HIGHWAY – MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended February 29, 2004 EXHIBIT H

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
State revenue sharing	70 500 00	77 687 94	7 187 94
Interest	<u>2 300 00</u>	<u>678 94</u>	<u>(1 621 06)</u>
Total revenues	<u>72 800 00</u>	<u>78 366 88</u>	<u>5 566 88</u>
Expenditures:			
Public works - Highways and streets:			
Administrative	900 00	847 80	(52 20)
Routine maintenance	42 900 00	29 463 62	(13 436 38)
Traffic services	2 500 00	1 112 08	(1 387 92)
Winter maintenance	6 300 00	6 246 94	(53 06)
Sweeping and flushing	1 100 00	403 29	(696 71)
Drainage and backslopes	150 00	-	(150 00)
Traffic signs and signals	700 00	674 79	(25 21)
Pavement markings	350 00	96 23	(253 77)
Snow and ice control	<u>1 600 00</u>	<u>1 304 09</u>	<u>(295 91)</u>
Total expenditures	<u>56 500 00</u>	<u>40 148 84</u>	<u>(16 351 16)</u>
Excess (deficiency) of revenues over expenditures	16 300 00	38 218 04	21 918 04
Other financing sources (uses) :			
Operating transfers out	<u>(18 000 00)</u>	<u>(18 706 14)</u>	<u>(706 14)</u>
Excess (deficiency) of revenues over expenditures and other uses	(1 700 00)	19 511 90	21 211 90
Fund balance, March 1	<u>136 330 00</u>	<u>128 262 83</u>	<u>(8 067 17)</u>
Fund Balance, February 29	<u><u>134 630 00</u></u>	<u><u>147 774 73</u></u>	<u><u>13 144 73</u></u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

MOTOR VEHICLE HIGHWAY - LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended February 29, 2004

EXHIBIT I

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
State revenue sharing	28 660 00	28 462 41	(197 59)
Interest	<u>1 000 00</u>	<u>308 42</u>	<u>(691 58)</u>
Total revenues	<u>29 660 00</u>	<u>28 770 83</u>	<u>(889 17)</u>
Expenditures:			
Public works - Highways and streets:			
Administrative	1 000 00	847 80	(152 20)
Construction	1 160 00	-	(1 160 00)
Routine maintenance	41 000 00	25 978 36	(15 021 64)
Winter maintenance	<u>4 500 00</u>	<u>5 683 62</u>	<u>1 183 62</u>
Total expenditures	<u>47 660 00</u>	<u>32 509 78</u>	<u>(15 150 22)</u>
Excess (deficiency) of revenues over expenditures	<u>(18 000 00)</u>	<u>(3 738 95)</u>	<u>14 261 05</u>
Other financing sources:			
Operating transfers in	<u>18 000 00</u>	<u>18 706 14</u>	<u>706 14</u>
Excess (deficiency) of revenues and other sources over expenditures	-	14 967 19	14 967 19
Fund balance, March 1	<u>59 446 00</u>	<u>56 477 64</u>	<u>(2 968 36)</u>
Fund Balance, February 29	<u><u>59 446 00</u></u>	<u><u>71 444 83</u></u>	<u><u>11 998 83</u></u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended February 29, 2004

EXHIBIT J

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
State revenue sharing	4 000 00	3 576 14	(423 86)
Charges for services	5 900 00	5 458 95	(441 05)
Fines and forfeits	60 800 00	60 361 43	(438 57)
Interest	5 000 00	3 749 11	(1 250 89)
Donations	<u>15 824 00</u>	<u>1 880 00</u>	<u>(13 944 00)</u>
Total revenues	<u>91 524 00</u>	<u>75 025 63</u>	<u>(16 498 37)</u>
Expenditures:			
Culture and recreation – Library:			
Salaries and wages	44 000 00	40 700 05	(3 299 95)
Employee benefits	10 250 00	9 907 59	(342 41)
Operating supplies	24 370 00	15 034 75	(9 335 25)
Books, magazines and videos	19 400 00	16 122 21	(3 277 79)
Contracted services	4 000 00	1 110 86	(2 889 14)
Memberships and dues	3 000 00	2 856 02	(143 98)
Gas and transportation	700 00	523 86	(176 14)
Community promotion	700 00	624 12	(75 88)
Printing and publishing	360 00	289 00	(71 00)
Insurance	4 000 00	3 344 68	(655 32)
Utilities	6 100 00	4 797 06	(1 302 94)
Repairs and maintenance	13 335 00	6 074 37	(7 260 63)
Miscellaneous	1 500 00	626 68	(873 32)
Capital outlay	<u>2 635 00</u>	<u>-</u>	<u>(2 635 00)</u>
Total expenditures	<u>134 350 00</u>	<u>102 011 25</u>	<u>(32 338 75)</u>
Excess (deficiency) of revenues over expenditures	(42 826 00)	(26 985 62)	15 840 38
Fund balance, March 1	<u>172 150 00</u>	<u>158 979 48</u>	<u>(13 170 52)</u>
Fund Balance, February 29	<u><u>129 324 00</u></u>	<u><u>131 993 86</u></u>	<u><u>2 669 86</u></u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended February 29, 2004 EXHIBIT K

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Charges for services:			
Grave openings	14 000 00	9 700 00	(4 300 00)
Lot sales	10 000 00	8 350 00	(1 650 00)
Foundations	4 000 00	2 978 58	(1 021 42)
Endowments	3 000 00	1 325 00	(1 675 00)
Other	100 00	20 00	(80 00)
Interest	5 000 00	2 079 91	(2 920 09)
Total revenues	<u>36 100 00</u>	<u>24 453 49</u>	<u>(11 646 51)</u>
Expenditures – General government:			
Cemetery:			
Salaries and wages	26 600 00	17 974 24	(8 625 76)
Employee benefits	7 200 00	5 228 55	(1 971 45)
Operating supplies	1 800 00	1 824 71	24 71
Contracted services	500 00	192 00	(308 00)
Gas and transportation	500 00	411 65	(88 35)
Insurance	1 100 00	1 002 80	(97 20)
Utilities	200 00	94 10	(105 90)
Repairs and maintenance	300 00	293 80	(6 20)
Administrative	5 000 00	5 000 00	-
Total expenditures	<u>43 200 00</u>	<u>32 021 85</u>	<u>(11 178 15)</u>
Excess (deficiency) of revenues over expenditures	(7 100 00)	(7 568 36)	(468 36)
Fund balance, March 1	<u>27 062 00</u>	<u>138 847 93</u>	<u>111 785 93</u>
Fund Balance, February 29	<u>19 962 00</u>	<u>131 279 57</u>	<u>111 317 57</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINING BALANCE SHEET – ALL ENTERPRISE FUNDS
February 29, 2004

EXHIBIT L
Page 1

<u>Assets</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Current assets:			
Cash in bank	74 498 12	78 505 68	153 003 80
Accounts receivable	11 033 23	18 314 29	29 347 52
Special assessments – current	12 000 00	-	12 000 00
Due from other funds	11 495 08	-	11 495 08
Total current assets	<u>109 026 43</u>	<u>96 819 97</u>	<u>205 846 40</u>
Restricted assets:			
Cash in bank	127 833 76	198 980 67	326 814 43
Total restricted assets	<u>127 833 76</u>	<u>198 980 67</u>	<u>326 814 43</u>
Special assessments – net of current portion	<u>6 600 00</u>	<u>-</u>	<u>6 600 00</u>
Fixed assets:			
Land	22 399 00	3 001 00	25 400 00
Plant, property and equipment	1 487 926 28	1 218 460 42	2 706 386 70
Total fixed assets	1 510 325 28	1 221 461 42	2 731 786 70
Less: accumulated depreciation	(853 386 57)	(494 965 26)	(1 348 351 83)
Net fixed assets	<u>656 938 71</u>	<u>726 496 16</u>	<u>1 383 434 87</u>
Total Assets	<u>900 398 90</u>	<u>1 022 296 80</u>	<u>1 922 695 70</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINING BALANCE SHEET – ALL ENTERPRISE FUNDS
February 29, 2004

EXHIBIT L
Page 2

<u>Liabilities and Fund Equity</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Current liabilities:			
Accounts payable	296 29	538 74	835 03
Customer deposits	6 150 00	6 150 00	12 300 00
Due to other funds	-	11 495 08	11 495 08
Current portion of long-term debt	30 000 00	30 000 00	60 000 00
Total current liabilities	<u>36 446 29</u>	<u>48 183 82</u>	<u>84 630 11</u>
Long-term liabilities:			
Bonds payable net of current portion	30 000 00	550 000 00	580 000 00
Total long-term liabilities	<u>30 000 00</u>	<u>550 000 00</u>	<u>580 000 00</u>
Fund equity:			
Contributed capital	236 516 00	23 012 53	259 528 53
Retained earnings:			
Reserved	14 249 01	35 183 27	49 432 28
Unreserved – designated	113 584 75	163 797 40	277 382 15
Unreserved – undesignated	469 602 85	202 119 78	671 722 63
Total fund equity	<u>833 952 61</u>	<u>424 112 98</u>	<u>1 258 065 59</u>
Total Liabilities and Fund Equity	<u>900 398 90</u>	<u>1 022 296 80</u>	<u>1 922 695 70</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS – ALL ENTERPRISE FUNDS
Year Ended February 29, 2004

EXHIBIT M

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	101 389 99	173 822 17	275 212 16
Miscellaneous	300 00	14 261 47	14 561 47
Total operating revenues	<u>101 689 99</u>	<u>188 083 64</u>	<u>289 773 63</u>
Operating expenses:			
Wages	17 490 20	32 559 29	50 049 49
Fringe benefits	14 165 14	10 815 38	24 980 52
Administration	10 000 00	10 000 00	20 000 00
Supplies	1 830 93	15 817 71	17 648 64
Postage	1 110 94	1 247 00	2 357 94
Contracted services	1 723 98	22 775 10	24 499 08
Insurance	1 462 44	2 341 16	3 803 60
Telephone	1 278 34	1 320 49	2 598 83
Transportation	37 60	740 38	777 98
Repairs and maintenance	4 382 41	23 882 29	28 264 70
Utilities	5 305 79	16 333 47	21 639 26
Miscellaneous	-	884 50	884 50
Total operating expenses before depreciation	<u>58 787 77</u>	<u>138 716 77</u>	<u>197 504 54</u>
Operating income before depreciation	42 902 22	49 366 87	92 269 09
Less: depreciation	<u>(31 736 24)</u>	<u>(25 453 12)</u>	<u>(57 189 36)</u>
Operating income	<u>11 165 98</u>	<u>23 913 75</u>	<u>35 079 73</u>
Other income and (expense):			
Interest income	4 767 02	3 771 10	8 538 12
Interest expense	<u>(4 252 50)</u>	<u>(23 875 00)</u>	<u>(28 127 50)</u>
Net other income and (expense)	<u>514 52</u>	<u>(20 103 90)</u>	<u>(19 589 38)</u>
Net income	<u>11 680 50</u>	<u>3 809 85</u>	<u>15 490 35</u>
Amortization of contributed capital	<u>16 890 00</u>	<u>1 640 00</u>	<u>18 530 00</u>
Net increase in retained earnings	28 570 50	5 449 85	34 020 35
Retained earnings, March 1	<u>568 866 11</u>	<u>395 650 60</u>	<u>964 516 71</u>
Retained Earnings, February 29	<u>597 436 61</u>	<u>401 100 45</u>	<u>998 537 06</u>

VILLAGE OF BRECKENRIDGE
Gratiot County, Michigan

COMBINING STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS EXHIBIT N
Year Ended February 29, 2004

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	99 563 40	171 170 82	270 734 22
Cash payments to suppliers for goods and services	(42 036 92)	(108 137 41)	(150 174 33)
Cash payments to employees for services	(17 490 20)	(32 559 29)	(50 049 49)
Other operating revenues	300 00	14 261 47	14 561 47
Net cash provided (used) for operating activities	<u>40 336 28</u>	<u>44 735 59</u>	<u>85 071 87</u>
Cash flows from noncapital financing activities:			
Net borrowings (repayments) with other funds	<u>2 940 00</u>	<u>(2 940 00)</u>	<u>-</u>
Net cash provided (used) for noncapital financing activities	<u>2 940 00</u>	<u>(2 940 00)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Principal payments on special assessments receivable	15 600 00	-	15 600 00
Principal paid on bond maturities	(25 000 00)	(25 000 00)	(50 000 00)
Interest paid on bonds	(4 252 50)	(23 875 00)	(28 127 50)
Net cash provided (used) for capital and related financing activities	<u>(13 652 50)</u>	<u>(48 875 00)</u>	<u>(62 527 50)</u>
Cash flows from investing activities:			
Interest income	<u>4 767 02</u>	<u>3 771 10</u>	<u>8 538 12</u>
Net cash provided (used) for investing activities	<u>4 767 02</u>	<u>3 771 10</u>	<u>8 538 12</u>
Net increase (decrease) in cash and cash equivalents	34 390 80	(3 308 31)	31 082 49
Cash and cash equivalents, March 1	<u>167 941 08</u>	<u>280 794 66</u>	<u>448 735 74</u>
Cash and Cash Equivalents, February 29	<u>202 331 88</u>	<u>277 486 35</u>	<u>479 818 23</u>
Reconciliation of operating income to net cash provided (used) for operating activities:			
Operating income	11 165 98	23 913 75	35 079 73
Depreciation	31 736 24	25 453 12	57 189 36
Increase (decrease) in assets and liabilities:			
Accounts receivable	(1 826 59)	(2 651 35)	(4 477 94)
Accounts payable	(739 35)	(1 979 93)	(2 719 28)
Net Cash Provided (Used) for Operating Activities	<u>40 336 28</u>	<u>44 735 59</u>	<u>85 071 87</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

EXHIBIT O
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April 8, 2004

To the Village Council
Village of Breckenridge
Gratiot County, Michigan

We have audited the financial statements of the Village of Breckenridge, Gratiot County, Michigan, as of and for the year ended February 29, 2004, and have issued our report thereon dated April 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Breckenridges' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Breckenridges' internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

EXHIBIT O
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To the Village Council
Village of Breckenridge
Gratiot County, Michigan
April 8, 2004
Page 2

This report is intended for the information of management and other regulatory agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Campbell, Kusterer & Co., P.C.

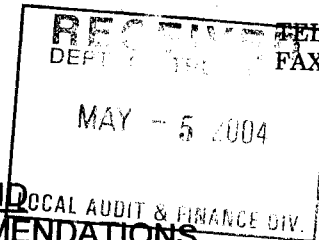
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 8, 2004

To the Village Council
Village of Breckenridge
Gratiot County, Michigan

We have audited the financial statements of the Village of Breckenridge, for the year ended February 29, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Breckenridge in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Village Council
Village of Breckenridge
Gratiot County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Village Council
Village of Breckenridge
Gratiot County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Village of Breckenridge will begin with the year ended February 29, 2004, and will need to be implemented fully by February 28, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 29, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer: Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants